

times and under all circumstances. This requires a sacrifice, because the rate of interest is small, and, in times of difficulty, the sale involves a loss, but it has given the Scotch banks absolute security, and enabled them to pass unhurt through periods of great discredit. . . .

The Western Bank was established in the year 1832, and the principle on which it has avowedly acted has been to employ as much as possible of its capital and assets in discounts and loans, retaining only the cash necessary to meet its current engagements. . . .

It will be quite apparent that a bank that can employ its whole funds in this manner is enabled either to divide a larger share of profits than its competitors, or to do business on more favorable terms ; and we repeat, that if the only consequence of this was to increase or diminish the dividends of the rival establishments, it would be of comparatively small importance, but in its results it endangers the existence of every bank in the country and the fortunes of a large portion of the community. We feel that, if letters patent shall be granted to this bank, after what has passed, it will be a public sanction and countenance of a new and mischievous principle, opposed to the banking system of Scotland.

The charter was not granted and as the result of keeping stich small reserves in I/>ndon the Western Bank was again in trouble in 1847. *E&& bank was then compelled to borrow ^300,000 of the Bank of England in November and December, which it repaid in March, 1848. A somewhat more cautious policy was pursued until 1852, when the discounts of the bank were .£13,525,332 and the re-discounts were £407,143. The bank even at this time had £356,000 in overdue bills and held a number of life insurance policies as security for dead loans, on which it was paying the premiums. A reckless policy of re-discounting was begun in 1852 which expanded the re-discounts in 1856 to ,£5,407,-363 with ordinary discounts of ,£20,410,884. The most alarming feature of the bank's affairs, however, was loans to four firms which reached an aggregate of ,£1,603,725. The character of the bills discounted for these firms is shown by the fact that of ,£402,716 in bills of Macdonald , £398,349-were dishonored at maturity, and the results for the other three firms were only a little better. The books of the bank were examined, soon after the general meeting in June, 1857, by request of the directors and it was found that bad